

Message Text

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ORIGIN EB-08

INFO OCT-01 EUR-12 EA-10 IO-13 ISO-00 AID-05 CIAE-00
COME-00 FRB-03 INR-10 NSAE-00 ICA-11 TRSE-00
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LABOR - J HESTER
EA/PRCM - S STANFIELD
STR - S LANDE

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P R 012218Z JUN 78
FM SECSTATE WASHDC
TO AMCONSUL HONG KONG PRIORITY
INFO AMEMBASSY SEOUL
AMEMBASSY TAIPEI
USMISSION GENEVA
AMEMBASSY BRUSSELS
AMEMBASSY PARIS

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USMTN, USOECD, USEEC

E.O. 11652: N/A

TAGS: ETRD, HK

SUBJECT: NON-RUBBER FOOTWEAR--MEETING WITH BRITISH EMBASSY
COUNSELOR FOR HONG KONG

REF: A) HONG KONG 6869, B) HONG KONG 6880, C) STATE 135551

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1. ON MAY 31 ASSISTANT SPECIAL TRADE REPRESENTATIVE
STEPHEN LANDE AND OFFICIALS FROM STATE, COMMERCE AND LABOR
MET WITH RICHARD CROWSON, COUNSELOR FOR HONG KONG
COMMERCIAL AFFAIRS AT THE BRITISH EMBASSY. LANDE OUTLINED
THE SERIOUS PROBLEM PRESENTED BY THE SURGE IN NON-RUBBER
FOOTWEAR IMPORTS FROM HONG KONG NOTING THAT IT UNDERMINED
THE EQUITY CLAUSE IN THE OMA'S WITH KOREA AND TAIWAN,

JEOPARDIZED THE PRESIDENT'S ADJUSTMENT ASSISTANCE PROGRAM FOR THE U.S. FOOTWEAR INDUSTRY AND SET A VERY UNFORTUNATE EXAMPLE FOR OTHER COUNTRIES TO FOLLOW. HE EXPLAINED THAT THE PRESIDENT HAD TAKEN A VERY COURAGEOUS DECISION IN THE FOOTWEAR CASE BY INTERFERING WITH TRADE AS LITTLE AS POSSIBLE AND HONG KONG'S TAKING ADVANTAGE OF THE ROLL BACK BY TAIWAN AND KOREA WAS NOT IN THE INTEREST OF LIBERAL TRADE.

2. LANDE POINTED OUT THAT APRIL IMPORTS FROM HONG KONG (NOT FOUND IN REFTEL) WERE 2.8 MILLION PAIRS, INCREASING

THE FIRST FOUR MONTHS OF 1978 IMPORTS FROM HONG KONG TO 8.6 MILLION PAIRS. IMPORTS FOR THE FIRST FOUR MONTHS OF 1978 WERE THUS PRACTICALLY EQUAL TO THE 8.7 MILLION PAIRS IMPORTED FROM HONG KONG IN ALL OF 1977 AND WOULD ANNUALIZE AT CLOSE TO 26 MILLION PAIRS. CROWSON WAS GIVEN IMPORT FIGURES FOR THE FIRST FOUR MONTHS OF 1977 AND 1978 WHICH, IN THOUSAND PAIRS WERE : 1977-474, 675, 713, 687; 1978-1.941, 1.731, 2.146, 2.785.

3. LANDE SAID THAT BECAUSE OF THE SERIOUSNESS OF THIS PROBLEM HE HOPED CONSULTATIONS COULD BE HELD DURING THE LATTER PART OF THE WEEK OF JUNE 12. HE APOLOGIZED FOR ASKING THAT CONSULTATIONS BE HELD IN WASHINGTON, EXPLAINING THAT THE PROBLEM OF TRYING TO FINISH THE MTN PREVENTED HIM LIMITED OFFICIAL USE

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FROM TRAVELING TO HONG KONG. HE EMPHASIZED THE IMPORTANCE OF EARLY CONSULTATIONS BECAUSE THE U.S. COULD NOT PERMIT AN ENORMOUS BASE TO BUILD UP.

4. IN RESPONSE TO QUESTIONS LANDE SAID THAT NO AGREEMENT HAS BEEN REACHED IN THE U.S. GOVERNMENT ON WHAT MEASURES OR APPROACH THE U.S. GOVERNMENT HAD IN MIND BUT THAT SOMETHING WAS NEEDED TO LIMIT EXPORTS FROM HONG KONG.

5. IN RESPONSE TO REFTELS A) AND B) LANDE REGRETS THAT IT IS NOT POSSIBLE FOR HIM TO TRAVEL TO HONG KONG IN JUNE AND A JULY MEETING IS TOO LATE. HE PROPOSES THAT CONSULTATIONS TAKE PLACE ON JUNE 15-16 IN WASHINGTON.

6. REGARDING THE QUESTION OF OTHER NON-OMA COUNTRIES IMPORT FIGURES FOR THE FIRST THREE MONTHS OF 1978 SHOW THAT IMPORTS FROM HONG KONG INCREASED 202 PERCENT OVER THE SAME PERIOD IN 1977. "ALL OTHER COUNTRIES," WHICH INCLUDES MINOR FAR EAST SUPPLIERS SUCH AS THE PHILIPPINES AND THAILAND, INCREASED 71 PERCENT. WHILE THIS IS OBVIOUSLY OF CONCERN TO US AND WE ARE WATCHING IT CLOSELY, THE TOTAL IMPORTS FROM "ALL OTHER COUNTRIES" WAS ONLY 4.5 MILLION

PAIRS COMPARED TO 6.5 MILLION PAIRS FROM HONG KONG.
INCREASED IMPORTS FROM MAJOR SUPPLIERS SUCH AS ITALY, SPAIN
AND BRAZIL ARE NOWHERE NEAR THE RATE OF INCREASE DEMON-
STRATED BY HONG KONG.

7. REGARDING PRESS GUIDANCE YOU SHOULD LIMIT YOUR
RESPONSE TO CITING U.S. CONCERN WITH THE EXTRAORDINARY RISE
IN HONG KONG EXPORTS TO THE U.S. IN LIGHT OF THE OMA'S WITH
TAIWAN AND KOREA NOTING THAT CONSULTATIONS ARE TO DISCUSS
THIS PROBLEM. VANCE

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